AMP Capital China Growth Fund
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AMP Capital China Growth Fund (ASX: AGF) Tax update

On 26 February 2015, the Asset Management Association of China held a training session on Qualified Foreign Institutional Investor (QFII)/Renminbi Qualified Foreign Institutional Investor (RQFII) Tax Policy, which was led by Mr Zhou Yuezhen, Division Chief of International Taxation from the Beijing Office of State Administration of Taxation.

At the session, a number of taxation matters were addressed including clarification that tax on capital gains occurring prior to 17 November 2014 shall only be levied for the period 17 November 2009 to 16 November 2014, and not from inception as originally anticipated.

As a result of this clarification, and after taking into account professional tax advice, the investment manager believes the tax position of the AMP Capital China Growth Fund (the Fund) has improved in respect of capital gains on both “land rich” and “non-land rich” China A shares.

“Land rich” China A shares
The clarification has improved the tax position in relation to “land rich” China A shares, increasing the fair value of the Fund’s investment in its Mauritian subsidiary (the controlled entity) by A$1.4 million and increasing Net Asset Value (NAV) of the Fund per unit by A$0.004 as at 28 February 2015.

“Non-land rich” China A shares
The clarification has also reduced the Fund’s potential exposure to tax on “non-land rich” China A shares by up to A$11.4 million. The maximum exposure on the Fund’s NAV stands at a range of A$nil to A$13.7 million (A$0.037 per unit) as at 28 February 2015. The previous range was A$nil to A$25.1 million (A$0.067 per unit) as at 31 December 2014.

The investment manager is of the view that the China/Mauritius Double Tax Treaty (the treaty) applies to the benefit of the Fund and, as a result, tax is not payable on capital gains on “non-land rich” China A shares.

As previously described in Note 12(c) to the Fund’s financial statements for the year ended 31 December 2014, there is a risk the Fund’s controlled entity could be liable to pay tax in China at 10 per cent on a gross basis if its application for relief under the treaty is not successful. Clarification is expected later this year.

The investment manager also noted that the tax authorities require all QFII/RQFII holders to submit documentation and treaty applications for tax determination by 31 July 2015. The investment manager believes this is another positive step in resolving the prior years' tax position of the Fund.

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